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Integrated Tariff Development: Building a System in Jordan

Final Report

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Data Page

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Abstract

This report identifies the need for the development of a fully integrated tariff in Jordan, the obstacles that must to be addressed in the development of the integrated tariff and makes recommendations for the further development of consolidated inter-agency developed fully integrated database of border related regulations.

Abbreviations and Acronyms

AMIR	Achievement of Market-Friendly Initiatives and Results Program
ASYCUDA	Automated System for Customs Data
BMTF	Border Management Task Force
HS	Harmonized System
IT	Information Technology
NTM	Non-tariff measure
USAID	United States Agency for International Development
WTO	World Trade Organization

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Executive Summary

Jordan has made significant strides in the modernization of its Customs Department over the past few years, and the AMIR Program has contributed significantly to this progress. For example, Customs is helping to form an executive level Border Management Task Force (BMTF) that will address at the macro level the process of modernization and risk management for border processing. This group will enhance the ability to make a key shift to risk-based border management. As a priority issue, the Customs BMTF has identified the need for better inter-agency coordination at the borders. Better coordination at the borders among governmental agencies can significantly decrease processing time. A solution to the process that has been successful in many countries is to shift to the so-called single window concept whereby the customs administration acts as the primary processing agency for several other agencies. Jordan Customs Department is also committed to the development of an informed, voluntary compliance strategy. A key element of this type of strategy is the ability of traders to easily identify all tariff and non-tariff measures that will apply to goods crossing the Jordanian border.

As part of strategic planning, Customs has identified the need for increased coordination between the various agencies that have a border management mandate as a key element of better facilitation of trade. At the present time, the Jordan Customs Department has not developed a fully integrated tariff. A fully integrated tariff is a publication and/or database that provides to the customs and trade community all customs and associated regulatory requirements relevant to the importation, exportation or transit of goods. This provides both government and an international trader with a “single window” of information showing the rates of duty and tax and other documentation required (e.g., certificates, quotas, restrictions and licenses) under government legislation by agencies other than customs but which are administered by customs on behalf of other agencies. Key to the development of an integrated tariff is an understanding by the many stakeholders in both public and private sectors of the process of goods classification under the Jordan Tariff Schedules that follow the Harmonized System (HS).

The stated objective of this consultancy was to assist Jordan Customs as the lead border agency for the clearance of goods crossing the borders in providing better and more understandable regulations to clients. As part of this strategy the consultant was to assist in the development of a fully integrated tariff to provide a complete table of all tariff and non-tariff measures to be applied by the Customs to goods entering, exiting or transiting Jordan.

The Consultant was to develop a projected work plan for an integrated tariff, assist Customs in the development of this tariff, and conduct one-day seminars for the trade community on the HS, the system of tariff classification used by Customs in Jordan and by its trading partners.

Key Findings noted in this report are:

- There is a genuine, although not yet crystallized, interest in the development of an integrated tariff and there is a private sector desire to understand the principles, based on the HS, of the tariff classification system used in Jordan.

- There is a serious problem within both Customs and other government agencies in obtaining, recording, and distributing information on Customs procedures, to not just within Customs but to the private sector as well.
- This problem made it impossible to obtain in the time frame of this consultancy the necessary data on regulatory requirements with which to populate a pilot data base for an integrated tariff.
- A significant effort must be expended in order to obtain this information for the future development of an integrated tariff.
- There is a genuine interest in learning about the interpretation and application of the international HS, the system of tariff classification used in Jordan and other countries.

Specific recommendations regarding the future development of an integrated tariff and HS training are set out separately within the body of this report.

I. Introduction

1.1 Objective

The objective of this consultancy was to assist Customs as the lead border agency for the clearance of goods crossing the borders in providing better and more understandable regulations to clients. As part of this strategy the consultant was to assist in the development of first steps towards a fully integrated tariff that will provide a complete table of all tariff and non-tariff measures (NTMs) to be applied to goods entering, exiting, or transiting Jordan. Key to the development of an integrated tariff is an understanding by the many stakeholders for international trade in both the public and private sectors of the process of goods classification under the Jordan Tariff Schedule that follows the HS. The consultant was to work both on the development of the integrated tariff for Jordan and provide training to stakeholders outside of Customs on the HS.

1.2 Specific Tasks

The consultant was requested to undertake the following tasks as part of this consultancy:

1. In cooperation with the IT and Planning Directors of Jordan National Customs, work with the AMIR IT specialists to develop a projected work plan for an integrated tariff for Jordan. Specific tasks to be identified in the project planning for an integrated tariff will include identifying risks and mitigators, sustainability, and external stakeholder participation.
2. Building on the developed work plan, the consultant will be the lead technical expert on the HS and will assist Customs in the development of a prototype of the integrated tariff based on a single chapter of the Jordan Tariff Schedules for beta testing.
3. As a technical expert on the HS, the consultant will conduct a minimum of three one-day training sessions for the private sector and government agencies on the principles of tariff classification under the HS.

1.3 Methodology

The consultant held several meetings (see Annex 1) with key directors in the Customs Department to better understand the inward and outward flow of official documents relating to tariffs and information technology and the problems that currently exist.

2. Findings and Recommendations

2.1 Gathering Information for a Database

2.1.1 Current Situation

A manager in the Tariff Directorate noted that other agency requirements are communicated to his section on a haphazard basis (e.g., authorization for entry of certain products, provision of samples for other agency examination, quarantine of certain animals). For example, sometimes Customs receives a phone call to be followed by a fax or letter, other times a messenger brings a communication, and yet at other times they are sent by regular post. Frequently communications are weeks old when Customs receives them. Even when they arrive at Customs, because of the internal communications process the Tariff Directorate sometimes has to wait days until the message gets to them. It is the responsibility of the Tariff Section to distribute these messages (as well as those originating in Customs regarding Customs procedures) to all Customs Department offices and to the ASYCUDA data input section. An officer in the Tariff Section estimates that his office receives only 90 percent of the documents that he is responsible for distributing; the balance is lost somewhere between their origin outside Customs and receipt in the Tariff Office. This absence of standardization in communication presents an obvious problem for Customs and other agencies because there are government requirements, instructions, and orders that are not being enforced as they should be. This could cost the government revenue, and possibly permit prohibited goods to enter the country and harm the environment.

2.1.2 Recommendations

A task force on information gathering and communicating, such as that set out as one of the objectives of the multi-agency BMTF should be established to:

- Impress on the non-Customs ministries and agencies that require Customs to enforce their orders, rulings and instructions that it is inherent upon them to ensure that the information is fully and timely communicated to the appropriate Customs office. An inter-agency system to do this should be established.
- Assist Customs in formalizing methods of receiving, recording and distributing such information on a timely basis to all Customs offices.

2.2 Developing a Prototype Integrated Tariff

2.2.1 Current Situation

In order to develop and sustain an integrated tariff, which will provide to users information on all the governmental requirements regarding a specific commodity, there must be a complete and accurate database of these requirements. The consultant selected a chapter of tariff schedule, chapter section, and chapter heading to be used as a pilot in a feasibility study on developing an integrated tariff. When this approach was discussed with Customs officials they noted that it would take them at least two months to verify

the extra-Customs governmental requirements for the selected chapter, Chapter 24 that covers tobacco and contains only three headings and nine sub-headings. The reason stated for the delay was that at present, the information available in their communications database is not more than 90 percent accurate and contact would have to be made with between 28 and 30 ministries and agencies to ensure that all their requirements had been communicated to Customs in past years. This task made it impossible during this consultancy to develop a prototype integrated tariff for even one heading of the HS.

While it is technically feasible to develop an integrated tariff, it cannot be achieved without a database and it is not possible to populate such a database under existing circumstances at Customs. Basic to the establishment and maintenance of an integrated tariff is an accurate and timely database that is properly maintained in future.

There are other constraints to developing an integrated tariff that include technical expertise, availability of staffing, and proof of content review. It is not possible, and would be counterproductive, to ask Customs to provide the data with which to populate the database. Every office we visited told us how under staffed and overworked they are. In the office of the Head of Comprehensive Tariff, the office responsible for entering all changes into the ASYCUDA system, there is only the head and one assistant. Clearly this office should not be asked to take on the task of providing and verifying the data required for a database.

2.2.2 Recommendations

- Consideration should be given to a World-Trade Organization (WTO)-compliant cost-based user fee to offset the costs of providing access to the integrated nomenclature. Customs could be the administrator of the system and recoup its cost outlays by collecting user fees.
- To make the system even more efficient, all future regulatory decrees should be issued by reference to the HS tariff number. This would tie all regulatory requirements to a universally recognized system, the HS number, and make it much easier to record, retrieve, and update. Protocols will have to be developed for continuous data input once the system has been set up.

2.3 Staffing Issues

2.3.1 Current Situation

The current staff assigned to the information required to make this project a success is woefully inadequate. For example, current staff levels would require two months to verify nine subheadings of Jordan's tariff schedule relating to tobacco. If the staff level remained the same, it would require ten years and two months to verify the 5,500 subheadings. However, with a dedicated staff, this task can be completed much quicker. For example, the necessary database for an integrated tariff could be developed in six to nine months with one team leader familiar with the HS and two assistants. The assistants could be quickly taught the HS and would then function as data facilitators (and actually contact the various ministries and agencies to ensure that all their requirements of

Customs have been communicated to Customs, and also then ensure that Customs has input all these requirements into their system).

As an observation, it should be noted that no country in the world has a fully integrated tariff of the nature that is our goal for Jordan. Several countries have partial integrated tariffs that capture most of the secondary agency requirements. With the goal of full integration, a world-class integrated tariff could include information from only the main secondary agencies such as Health, Agriculture, and Standards. The achievement of a fully integrated tariff is nonetheless achievable in Jordan given its size and availability of information.

2.3.2 Recommendations

- That a team, consisting of one team leader and two data facilitators, be established independently of Customs and separately funded. This team would be established and charged with obtaining and verifying the necessary data to populate a database for an integrated tariff. Once the database is populated an IT person can program it for future use and maintenance.
- An essential element of developing a viable system will be issuing all regulatory requirements impacting Customs on an HS tariff number basis and the development of a protocol for the continuous input of data on this basis.

2.4 Risks, Mitigators, Sustainability, and External Stakeholders

2.4.1 Current Situation

In addition to the constraints identified above to the successful development of an integrated tariff, any system developed must be capable of being updated on a regular basis and of being accessed by its stakeholders. At present Customs has a database developed for the ASYCUDA system, which is the system for the customs clearance of documentation relating to imports/exports. This system does not contain all the data interfaces necessary to operate as an integrated tariff, must be manually searched for extra-Customs requirements on an agency-by-agency basis for 30 agencies, and is not available for use by anyone other than Customs or a customs broker who has lodged a declaration with the system.

The purpose in developing an integrated tariff is to enable the private sector, not just Customs officials, to access the database. This is significant for brokers, importers, exporters, economic researchers, statisticians, and others who need to know all Customs requirements in order to make an informed economic decision, compile data, or develop future business plans.

It is in the best interest of all government agencies, not just Customs, to have all their requirements readily available and accessible to the trade community. This can facilitate Customs clearances and facilitate international trade on a national basis. Once the basic work of digging out the information and populating the database has been completed, and the necessary IT structure developed, sustainability is the last question. If a system of

ensuring that all governmental requirements of Customs are in the system and a mechanism for ensuring future input is in place, then sustainability becomes mechanical.

2.4.2 Recommendation

- That an integrated tariff committee or working group be established to stimulate interest in the system, publicize its use and advantages, and oversee its maintenance and timeliness.

2.5 Harmonized System Seminars

2.5.1 Current Situation

Three seminars on the basics of tariff classification in the HS were initially scheduled but the second and third seminars were combined. The seminars ran for four hours and covered the history, development, structure and application and interpretation of the international Harmonized System.

There were 18 attendees at the first session (16 men and 2 women), from various sectors of the economy including the Amman Chamber of Industry, Industrial Spare Parts Development, Alia Plastics, Prime Five/Garment Manufacturing, United Coffee Co, and the Customs Agents Association. There were 13 attendees for the combined second/third sessions (11 men and 2 women) from Government and the private sector, representing National Customs, the Ministry of Agriculture, Ports Corporation and the Intelligence Department .

There is a constant need for refresher training of customs officers in the application, interpretation, and administration of the Harmonized System, since this is the international system used by more than 140 countries, including Jordan, as the basis for their import and export tariffs. Training programs should be of a highly technical nature and would serve to further educate Customs officials in the field of tariff classification. There is also a need for occasional informational-type presentations on the HS for the private trade community and government agencies other than Customs.

2.5.2 Recommendations

- That semi-annual HS training programs be presented to Customs officers tasked with tariff classification at the Customs Houses in Jordan in the future and that an occasional information-type program on the HS be presented to the international trade community and government agencies other than Customs.

Annex 1: Documents Consulted

1. AMIR Technical Proposal
2. AMIR 1.0 Final Report
3. Customs Department Strategic Plan 2004-2006
4. 'Revised Kyoto Convention', World Customs Organization
5. 'Development and Integration of Customs Reform and Modernization within
6. Jordan 2002', prepared by G. Wood for the AMIR Program, February 2003.
7. 'Development of Border Risk Management, Intelligence and Risk Management
8. Capabilities,' prepared by J. Knott, J. Howard and M. Krstic for the AMIR Program, January 2003.
9. 'Border Risk Management,' prepared by J. Howard for the AMIR Program, October 2003.
10. 'Integrated Customs Tariff: A Road Map of Trade Restraints,' prepared by W. Hekala for the AMIR Program, October 2003.
11. 'Jordan National Customs External and Internal Communications Baseline
12. Assessment,' prepared by B. Zadina for the AMIR Program, February 2004.
13. Scope of Work: "Customs IT Solutions and Integrated Tariff", Specific Tasks of the Consultancy: October 2003, for Andrew Ford and Lubomir Dvorsky
14. The Jordanian Customs Tariff: An Introduction, Jordan Customs Web Site, February 2004.

Annex 2: Interviews Conducted

1. Greta Boye, PSPI Team Leader, AMIR Program
2. Walt Hekela, CRM Manager PSPI/AMIR Program
3. Jamal Olaimat, Customs Specialists, PSPI/AMIR Program
4. Lina Arafat, Customs Projects Liaison, PSPI/AMIR
5. Andrew Ford, IT Consultant, PSPI/AMIR Program
6. John Howard, Trade and Investment Consultant, Border Management, PSPI/AMIR Program
7. Marwan Gharaibeh, Director of Planning and Organization, Jordan National Customs
8. Emad Arslan, Head of Tariff Section, Jordan National Customs
9. Ali Abu Salim, Head of Tariff Procedures, Jordan National Customs
10. Abdelah Joodeh, Head of Comprehensive Tariff, Jordan National Customs
11. Somaya Al-Wahoush, IT Director, Jordan National Customs
12. Ali Omari, ASYCUDA Team